

Message Text

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15
ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 ISO-00 AGR-05 CIAE-00 COME-00

INR-07 LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01

FRB-03 OMB-01 L-03 ITC-01 AGRE-00 /057 W

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R 302110Z SEP 76

FM AMEMBASSY SAN JOSE
TO SECSTATE WASHDC 5252
INFO AMEMBASSY LONDON
AMEMBASSY BOGOTA
AMEMBASSY SALVADOR
AMEMBASSY GUATEMALA
AMEMBASSY TEGUCIGALPA
AMEMBASSY MANAGUA
AMEMBASSY BRASILIA

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E.O. 11652: N/A
TAGS: ETRD, EAGR, CS
SUBJECT: BRAZILIAN PURCHASES OF COFFEE

REF: STATE 230416

1. ECONOFF AND AGATT DISCUSSED REFTEL SEPT. 30 WITH FERNANDO CASTRO JIMENEZ, SUB DIRECTOR OF THE GOCR COFFEE OFFICE. THE DIRECTOR OF THE OFFICE ALVARO JIMENEZ CASTRO (NO RELATION) IS IN LONDON FOR MEETING OF ICO COFFEE COUNCIL.

2. CASTRO HAD NOT BEEN AWARE PRIOR TO DISCUSSION THAT COFFEE SALES TO OTHER EXPORTING NATIONS WOULD NOT BE COUNTED FOR QUOTA PURPOSES AND WAS VERY INTERESTED IN TEXT OF ARTICLE 30 AS PARAPHRASED REFTEL. HE COMMENTED THAT SALVADOR AND PRODUCING COUNTRIES WHICH ARE SELLING TO BRAZIL ARE CUTTING THEIR OWN THROATS. HE SAID THAT COSTA RICA HAS NO INTENTION OF MAKING ANY SALES TO BRAZIL OR OTHER PRODUCERS--IT DOES NOT HAVE
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ENOUGH COFFEE TO SATISFY ITS CUSTOMERS. THE COSTA RICAN

1975/76 CROP WAS ON THE SMALL SIDE, BUT HE EXPECTS A LARGE 1976/77 CROP IN ACCORDANCE WITH THE COFFEE CYCLE OF A BAD YEAR FOLLOWED BY A GOOD YEAR.

3. AS TO WHY BRAZIL IS MAKING COFFEE PURCHASES, CASTRO EXPRESSED THE OPINION THAT IT IS BUYING TO REPLENISH STOCKS THAT WERE DEPLETED MORE THAN DESIRED BY THE NEED TO MEET COMMITMENTS WITH AN EVER FALLING ESTIMATE OF THE COFFEE CROP. HE SAID THAT BRAZIL HAD WANTED TO DRAW DOWN STOCKS BY 5 MILLION BAGS PER YEAR WHICH WOULD MAKE A 15 MILLION BAG DRAW DOWN SPREAD OVER THE ESTIMATED THREE YEAR RECUPERATION PERIOD. ACTUALLY, BRAZIL HAD TO DRAW DOWN THE STOCK MORE THAN 5 MILLION BAGS THIS YEAR TO MEET EXPORT COMMITMENTS AND TO ASSURE SUFFICIENT COFFEE AVAILABILITY TO BRAZIL'S SOLUBLE COFFEE INDUSTRY. HE THINKS THAT THE HIGH QUALITY COFFEE BRAZIL IS BUYING, E.G. FROM SALVADOR, IS NEEDED TO BLEND INTO BRAZILIAN SOLUBLE COFFEE TO ACHIEVE AN ACCEPTABLE QUALITY.

4. EMBOFFS ALSO ASKED CASTRO ABOUT REPORTS OF A RECENT VISIT BY A COLOMBIAN COFFEE DELEGATION. CASTRO SAID THAT THE VISITORS WERE COLOMBIAN COFFEE EXPORTERS WHO HAVE NO CONNECTION WITH THE COLOMBIAN GOVERNMENT. THEY WERE HERE TO EXCHANGE MARKET PERCEPTIONS WITH THEIR COSTA RICAN COUNTERPARTS IN ORDER TO HAVE A BETTER KNOWLEDGE BASIS FOR PLANNING THEIR SALES OVER THE NEXT FEW MONTHS. ASKED WHETHER THEY WERE MAKING ANY ATTEMPT TO ESTABLISH AN EXPORTERS ASSOCIATION WITH A VIEW TOWARD AFFECTING THE MARKET, CASTRO SAID NO AND EXPRESSED THE VIEW THAT THIS WOULD BE AN IMPOSSIBLE TASK.

5. RECENT DISCUSSION BY EMBOFF WITH LOCAL COFFEE EXPORTER CONFIRMS COMMENTS MADE BY CASTRO JIMENEZ CONCERNING BRAZILIAN PURCHASES FROM PRODUCER COUNTRIES AND PURPOSE OF VISIT BY COLOMBIAN COFFEE TRADERS TO COSTA RICA. EXPORTER SAID THAT BRAZIL NOT TRYING TO DRIVE UP MARKET PRICES WITH FOREIGN PURCHASES, BUT TO OBTAIN COFFEE NEEDED TO MEET CERTAIN OBLIGATIONS TO CONSUMER COUNTRIES. HE HE ADDED THAT BRAZIL HAS NOT EXPRESSED ANY INTEREST IN COSTA RICAN COFFEE. RE THE COLOMBIAN VISIT, EXPORTER SAID THAT LIMITED OFFICIAL USE

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DUE TO RECENT CHANGE IN COLOMBIA COFFEE POLICY, COLOMBIAN EXPORTERS FOUND THEMSELVES OVER-PRICED. WHILE THEY BELIEVE CENTRAL AMERICAN COFFEE WILL EVENTUALLY REACH THE HIGHER PRICE, THEY WERE TRYING TO DETERMINE THE LENGTH OF TIME THE UPWARD MOVEMENT WOULD TAKE, THE IDEA BEING THE COLOMBIANS MIGHT HAVE TO LOWER PRICES IN ORDER TO STAY IN THE MARKET IF THE PRICE INCREASE COMES SLOWER THAN EXPECTED.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COFFEE, AGRICULTURAL PRODUCT SALES
Control Number: n/a
Copy: SINGLE
Draft Date: 30 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: coburnhl
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976SANJO04762
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760370-0136
From: SAN JOSE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976092/aaaaabgp.tel
Line Count: 116
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 STATE 230416
Review Action: RELEASED, APPROVED
Review Authority: coburnhl
Review Comment: n/a
Review Content Flags:
Review Date: 19 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 MAY 2004 by MartinML>; APPROVED <10 SEP 2004 by coburnhl>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BRAZILIAN PURCHASES OF COFFEE
TAGS: ETRD, EAGR, CS
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006